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### Life after death

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*Published in:*  
Academy of Management Proceedings

*DOI:*  
[10.5465/AMBPP.2020.199](https://doi.org/10.5465/AMBPP.2020.199)

*Publication date:*  
2020

*Document Version*  
Publisher's PDF, also known as Version of record

[Link to publication in Tilburg University Research Portal](#)

*Citation for published version (APA):*  
Kox, J., & Kramer, A. (2020). Life after death: Implications of bereavement for the post-succession process in family businesses. In *Academy of Management Proceedings* (Vol. 2020). Academy of Management.  
<https://doi.org/10.5465/AMBPP.2020.199>

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# **LIFE AFTER DEATH: IMPLICATIONS OF BEREAVEMENT FOR THE POST-SUCCESSION PHASE IN FAMILY BUSINESSES**

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## **ABSTRACT**

In this study, we explore how the process of coping with bereavement, following the death of a family business leader, affects the way a family business is managed by the family successor during the post-succession stage. The death of a family business leader is a stressful event, and family successors need to adapt to their new role while simultaneously dealing with the loss of a loved one. Exploratory, qualitative research among six family businesses shows how the interplay between the process of coping with bereavement and the succession process proceeds through four stages, and is influenced by several boundary conditions.

## **INTRODUCTION**

Leadership succession is a critical event for any organization. CEOs occupy a key position in an organization, and have a significant influence on organizational decisions and outcomes (Hambrick & Mason, 1984; Kesner & Sebora, 1994). Executive succession is often disruptive to an organization as it is accompanied by change. Moreover, in family businesses, succession is argued to be crucial for continuity of family control and perpetuation of the family legacy (Miller, Steier, & Le Breton-Miller, 2003). Therefore, intra-family succession, referring to a leadership transfer from one family member to another, is often preferred by family businesses. However, these intergenerational successions are problematic and many fail (Davis & Harveston, 1998; De Massis, Chua, & Chrisman, 2008) which may have detrimental consequences for firm performance and survival. One important reason why intra-family successions may fail is the occurrence of an unforeseen shock, such as the death of the CEO. Family business leaders often have a long tenure (Schulze, Lubatkin, & Dino, 2003) and find it hard to pass on the firm to subsequent generations (Handler, 1994). Therefore, death of leaders is expected to occur more often within family businesses. In addition, founders are often reluctant to plan for their succession as it confronts them with their own death (Lansberg, 1988) which creates even more uncertainty about the future of the company when the leader dies. One out of three family businesses has to cope with the sudden loss of an executive at some point in time (BDO, 2005), making it important to understand the implications of such a loss for family businesses.

Disruption prevails in case of death as it impedes the normal path of succession planning (Friedman, 1991). Compared to nonfamily businesses, the disruptive effects pertaining to death of the CEO may be expected to be stronger in a family business context due the intertwining of the family system and the business system. Changes in one system are likely to have implications for the other system as family and work roles are highly interconnected (Li & Piezunka, 2019). However, it is unclear how changes in the family system affect the business system. Whenever a family business

leader passes away, the family has to deal with their grief and reorganize the family, while at the same time reorganizing leadership of the business. Dealing with the death of a next of kin is one of the most stressful things an individual must confront and requires active coping efforts in order to adjust to the new reality (Walsh & McGoldrick, 2013). Due to the interaction between family and business roles, grief may spill over to the business domain and influence leadership behaviors. According to the bereavement literature, possessions from the deceased act as symbols of the relationship with the deceased. These possessions transform in value when a loved one passes away and consequently changes the behavior of the survivors towards these objects (Gibson, 2010). Since the family business is the legacy of the predecessor that is transferred to family members, the behavior of the family regarding the firm is likely to be affected by the way family members cope with bereavement. The way the leadership transition is handled under these circumstances may have implications for the effectiveness of the family business leader and consequently the viability of the business.

This research aims to explore how a disruption arising from the family system, the loss of a family CEO, affects the intra-family succession process in family businesses. More specifically, we explore how the process of coping with bereavement influences how the family successor will run the family business when he or she takes over the reign. We combine insights from bereavement research with research on family businesses and the succession literature. By means of this research, we respond to the call for more insight into the interaction between the family system and the business system (James, Jennings, & Breitreuz, 2012; Jaskiewicz & Dyer, 2017). Furthermore, this study contributes to the understanding of the impact of grief and emotions in organizations, which is complicated in family business by the overlap between family and business. Finally, this study adds to the succession literature, by examining how a family shock affects this transition. Studying how families respond to family shocks is important because it provides insight into the resilience of family businesses.

## **THEORY**

### **Post-succession and Unforeseen Shocks**

Succession refers to the transfer of leadership, which in family businesses often coincides with ownership succession (Le Breton-Miller, Miller, & Steier, 2004). The transfer of leadership is not a one-time event, but a process (Lambrecht, 2005) that consists of several phases. Before the actual transfer, there is a preparation stage in which the company plans the succession process, and develops and selects a successor (Le Breton-Miller et al., 2004). At some point, the successor takes over the reign. However, the succession process is not finished once the baton has passed. What happens after the new CEO takes the reign is called the post-succession process. According to Ma, Seidl, and Guérard (2015: 461) the post-succession phase concerns “how the match between the CEO, the organization, and the environment is created or maintained in the period ensuing the arrival of the new leader”. Thus, this stage emphasizes what leaders do when they enter the firm. In general, research equates CEO succession with organizational changes (Schepker, Kim, Patel, Thatcher, & Campion, 2017). Changes may be induced by factors that reside internally (e.g. skills, openness to change) and externally (e.g. mandate, changed markets) to the new leader (Hutzschenreuter, Kleindienst, & Greger, 2012). Hence, the period that follows the succession is important for the continuity of the business and understanding which factors affect this process is key.

Given the importance of succession for the performance and survival of the family firm, it is no surprise that much has been written about succession in the family business literature. However,

less is known about what happens when the new generation starts leading the business. In this study, we focus on intra-family succession, where the business is transferred from one family member, the predecessor, to another, the successor. A large set of studies in the family business literature examined the outcomes of the succession process. Elements of the post-succession stage that have been touched upon in the family business literature mainly relate to family relationships and shows how they can hamper the succession process. Past research implies that the succession process is complex since it affects both the business and the family domain. Li and Piezunka (2019) show that an intra-family succession not only requires attention to transferring the business to the next generation, but also requires adjusting family relationships to this new reality. Due to the intertwinement of the business and family system and multiple roles family members have, changes in one system also affect the other. The family represents the dominant coalition in the firm (Chua, Chrisman, & Sharma, 1999) and characteristics of the dominant coalition may affect firm behavior and outcomes (Hambrick & Mason, 1984). In this study we examine how a change in the family, more specifically, the death of the family CEO, affects the business system. Family CEO death sets in motion two processes, a succession process and a process of coping with bereavement, which may affect one another due to the dual roles family members have in the business. The death of the CEO derails the ordinary succession planning (Friedman, 1991) and may adversely affect the succession process and viability of the company. When a family leader passes away, the family not only has to deal with changes in the business, but also with the loss of a loved one.

### **Coping with the Loss of a Loved One**

Bereavement, being the loss of a loved one, triggers grief (Shear & Skritskaya, 2012), a negative emotional response to the loss (Shepherd, 2003). Bereavement and grief are found to have adverse physical, psychological, and social consequences for those involved (Archer, 1999). Stressful life events, such as the death of a loved one, produce a change in the family system and demand active coping of individuals in order to deal with these changes. In their dual process model, Stroebe and Schut (1999) identify two types of stress that are involved with bereavement, and which require different coping processes. Firstly, people need to process the loss itself, which involves grieving about the deceased and the loss of the relationship (Stroebe & Schut, 1999). This is referred to as *loss-oriented coping*. In addition, the loss creates secondary stressors as those who stay behind need to reorganize their life without the deceased. Roles and responsibilities shift to the surviving family members (Walsh & McGoldrick, 2013). Family members also have to find a new identity as the relationship with the deceased and all he or she represented is gone (Archer, 1999). *Restoration-orientation* relates to coping with these additional stressors. The dual process model postulates that people oscillate between loss and restoration (Stroebe & Schut, 1999). While individuals oscillate between the two stages, there is a greater emphasis on loss-orientation in the early stages of the coping process and more emphasis on restoration in later stages (Caserta & Lund, 2007).

Possessions of the deceased may play an important role in the coping process. Material objects are transferred to relatives as part of the inheritance, which consequently transforms the value of these objects (Gibson, 2010). According to Field, Nichols, Holen, and Horowitz (1999) possessions may represent a sense of continued relationship with the deceased and provide comfort in dealing with the pain of the loss. Disposal of these objects thus comes with difficult moral decisions for the bereaved (Gibson, 2008). In family businesses, when a family business leader dies, the firm and all it represents are transferred to family members as part of the succession. Due to the irrevocability of death, Turley and O'Donohoe (2012) argue that the relationship with the deceased can never be the same again and consequently, identities of the survivor and deceased need to be reshaped. Emotional

factors are considered to be a distinctive attribute of family firms (Berrone, Cruz, & Gomez-Mejia, 2012). Emotions have implications for decision-making and behaviors in organizations (Baron, 2008). Although affect permeates each organization, Fletcher (2000) expects it to be more complex and embedded in family businesses due to the blurred boundaries between the family and business system. However, research addressing implications of emotions in family businesses is very limited.

Given the implications of loss and grief on dealing with possessions of the deceased, this research aims to explore how a disruption arising from the family system, the loss of a family CEO, affects the process of leadership transition in family firms, and more specifically how the process of coping with bereavement affects how the new family successor runs the family business in the post-succession stage. Our study aims to answer the following research question: *When faced with the loss of the family predecessor, how does the process of coping with bereavement affects how the family successor runs the business in the post-succession phase?*

## METHODS

We conducted an inductive, exploratory qualitative study. This kind of study is particularly suited for research which aims to build theory about the dynamics of organizational processes (De Massis & Kotlar, 2014). Data are collected from 14 respondents in six small family businesses in which a family member succeeded after the death of the family business leader. The number of interviews ranged from one to three per case. Studying multiple cases allowed us to compare cases and to detect patterns and variability across cases, while multiple respondents allowed us to acquire an intersubjective and reliable view on the processes following the death of the CEO (De Massis & Kotlar, 2014). Depending on availability, in each of the cases, we tried to interview the family successor, a non-family employee, and a family member. Using different groups of participants in the organization helps with triangulation and mitigates possible bias arising from impression management (Eisenhardt & Graebner, 2007). The study is retrospective in nature, as the data was collected at a single point in time and participants were requested to reflect on their past experiences. We focused on successions that took place not more than five years ago, in order to mitigate biases caused by inaccurate recollection.

Data collection and analysis took place in conjunction with conceptual development in an iterative manner. Narratives and timelines of each case were mapped and subsequently compared across cases. From the analysis of the interview transcripts initial 1<sup>st</sup>-order concepts emerged, which were subsequently aggregated into more theoretical concepts and themes (Gioia, Corley, & Hamilton, 2012). This resulted in a theoretical model that explicates the stages through which family business successors proceed whilst simultaneously dealing with the loss of the predecessor and managing the family business.

## FINDINGS

The cases reveal a general pattern of the post-succession phase after the death of the family business leader. This pattern forms the basis of a process model that explains how and why the process of coping with bereavement influences the way family successors run the business. The process consists of four phases. During the first phase, the business embodies an emotional value as it is transferred as part of the inheritance. Restoration-orientation dominates and causes a focus on continuance. In the second phase, tension between the past and the present arises as the loss-orientation starts to dominate, and successors try to preserve the link with the deceased whilst running the company. Thirdly, there is a phase that forms a turning point when the successor shifts back

towards the restoration orientation as he or she realizes that change is necessary. In this final phase the successor is able to take painful decisions, which may imply drastic changes to the family firm, like organizational restructuring or dissolution of the firm.

### **Inheriting the role: sense of ownership and focus on continuance**

When an executive of a family business dies, the position of the deceased in the business is transferred to the family as part of the inheritance. Family members consequently view the business as something of the deceased that has been left behind. When family members face this situation, their initial reaction is that the business needs to continue. Successors in our study quickly decided that they wanted to join or continue the business, but their willingness was mainly driven by emotions. A restoration orientation dominated in this stage, as relatives were dealing with the changes the event caused in the business. Tasks and roles in the business needed to be reshuffled in response to the loss. Many things had to be arranged due to the situation and this pushed family members towards this restoration-orientation.

### **Turbulence: tension between past and present**

In the second stage, family members are in a survival mode, which allows them to fulfil their tasks and duties whilst dealing with the loss. According to our interviews the loss-orientation dominated during this phase, which made it difficult for family members to make necessary changes to the business. A tension occurred between the new reality and that what had been. Decision-making was constrained by grief, and successors experienced ambivalence between what they thought to be right for the business and what they emotionally needed to do as a grieving family member. Successors reminisce about what the predecessor would have done and found it difficult to find their own way. Finally, control-seeking behavior, as a way to deal with the loss and protect the continuity of the organization, characterized this stage.

Certain factors enabled family businesses to adapt the firm to new internal or external realities in an early stage. Firstly, the sense of ownership differed between cases. If the firm is not seen as a possession passed on by the deceased, family successors experience fewer emotional difficulties in implementing changes in the organization. In other cases successors experience emotional difficulties, but use “cognitive bridging tactics”, which enable them to implement the necessary changes in the business. These tactics facilitated family successors to switch from their role as a grieving family member to their role as family business leader. This allowed family members to look beyond their emotions whilst making business decisions. For instance, in one of our cases, the family successor received an advice to run the business as if it was not a family business. Building on previous job experience, the successor tried to think like a consultant. By changing hats, the family successor could do to what was best for the business. Nevertheless, making these changes remained emotionally difficult.

### **Turning Point: waking up to the new reality**

In the majority of our cases, family firm successors experienced a turning point in which they realized they would have to do things differently and to let go of the company as the deceased left it behind. The loss-orientation shifted back again towards a restoration-orientation. This shift could be triggered by successful coping with some parts of the loss, but could also be induced by a crisis. Due to the passage of time, the loss and emotions moved slowly to the background. Everything that happens

became less connected to the deceased and successors felt that it was time to diminish the strong emotional connection between the company and the predecessor. It is time for a new era for the business, the era of the successor. Employees also became more able and willing to express their dissatisfaction about the way the company had been managed, further fulfilling the need to do things differently. In half of our cases, the successor experienced a crisis due to a pile-up of events. The loss caused negative events in the business in addition to difficulties that successors experienced in coping with their loss. This crisis forced the family successor to a realization that changes are necessary.

### **Reorganization: reshaping the business to the new reality**

In the final phase, we found that restoration-orientation dominated again and family successors adjusted the business to the new internal and external realities. While decisions could still be painful, emotions pertaining to the grief did no longer inhibit family successors in their decision-making. Besides, successors released their previous control-seeking behavior, became more future-oriented, and made plans to further grow and/or change the business. Decisions-making became more driven by the needs and goals of the family successor and the business, rather than by grief. Once the relationship between the firm and the predecessor had been redefined, family successors were better able to lead the business in an authentic manner.

## **DISCUSSION**

This exploratory study explicates the implications of an unforeseen shock, the death of the predecessor, for the succession process during an intra-family succession. It reveals the central role of grief and coping with bereavement in how family successors manage the business during the post-succession period. Previous succession literature examined implications of family relationships, but mainly focused on how the predecessor due to his or her presence, may help or hinder the family successor taking over the reign (Harvey & Evans, 1995). In this study, we show the continued influence of predecessors even once they have passed away.

The study provides insight into the intertwinement of the family and the business system. Our data elucidate the dynamic interplay between the family and the business role in the family business context. Due to the dual role family members have after the decease of a family CEO, grief is projected on the firm. The stages of the coping process determine how family business successors combine their family and business roles, as well as the way in which they manage the business.

This study also contributes to the bereavement literature. Our results imply that a family business can be an object, the value of which is transformed after the death of the owner, leading to difficult emotional decisions successors need to make. Maintaining the firm unchanged is a way to remain close to the predecessor and provides a way to keep his or her legacy alive. Moreover, the practicalities of taking on the family business leadership role exert a strong influence on the succession of stages in the coping process, from restoration-orientation to loss-orientation and vice versa.

From a practical point of view, our findings suggest that family members and their advisors should think carefully whether it is the right step to take over the firm when the family business CEO passes away. They should be aware that grief might interfere with rational decision-making regarding their future role in the firm.

## **REFERENCES AVAILABLE FROM THE AUTHORS**